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SUBJECT: SRI LANKA: SCENESETTER FOR THE FEBRUARY 20-21
VISIT OF FORMER PRESIDENTS BUSH AND CLINTON

SUMMARY

1. (SBU) The December 26 tsunami, in spite of its cruel humanitarian toll and staggering financial costs, has provided the Government of Sri Lanka (GSL) and the Liberation Tigers of Tamil Eelam (LTTE) a chance to re-engage after a near two-year hiatus in negotiations. The tragedy has mitigated, at least temporarily, the vitriol typical of domestic politics here, and the GSL should move quickly to capitalize on this respite. Any perception--whether valid or not--that disaster aid is not being distributed equitably to affected communities could exacerbate ethnic tensions and further embitter existing political rivalries. The visit of former Presidents Bush and Clinton offers an opportunity to reiterate our appreciation for GSL assistance to American citizen victims of the disaster; to underscore our commitment to helping Sri Lanka rebuild; and to encourage GSL/LTTE cooperation in reconstruction as a way to resume progress toward a negotiated settlement of the conflict. End summary.

POST-DISASTER:
PICKING UP THE PIECES

2. (U) Sri Lanka is beginning to pick up the pieces after emerging from the greatest natural disaster in its recorded history. The December 26 tidal wave that devastated two-thirds of this island's coastline killed approximately 31,000 people (another 5,000-plus remain missing), displaced nearly 400,000, and caused an estimated \$930 million in damage. Unprepared for a disaster of such magnitude, the Government of Sri Lanka (GSL) response to the catastrophe was initially somewhat halting and chaotic, but has since improved. Responsibility for implementing the GSL's ambitious reconstruction plan has been assigned to three task forces, headed by senior civil servants and prominent members of the private sector, to ensure coordination with foreign and local NGOs, bilateral and multilateral donors, and private and corporate donors. By late January the GSL Central Bank had reported receiving nearly \$35 million in direct contributions from foreign and local sources. Actual damage to infrastructure proved less than initially feared. The greatest costs imposed by the tsunami appear related to housing (nearly 80,000 houses were completely destroyed in the disaster; about half that number were partially destroyed) and in livelihoods (nearly 400,000 jobs were lost, according to World Bank estimates).

3. (SBU) The tsunami had its most dramatic impact on the fishing and tourism industries. Tourism (which brought in more than \$400 million in revenues in 2004) is a key foreign exchange earner. The damage to livelihoods will have lasting social and economic impact in the affected areas. As reconstruction picks up, some donors have expressed concern at the lack of appropriate mechanisms to coordinate rebuilding efforts and ongoing relief activities. The World Bank, Asian Development Bank and Japan Bank for International Cooperation are undertaking a joint needs assessment, the first draft of which has been released. The second phase of the assessment is just getting under way.

U.S. ASSISTANCE

4. (SBU) The Sri Lankan government and its people have warmly welcomed U.S. government and private assistance. To date, USAID has provided \$57.6 million in emergency food assistance, relief supplies, shelter, water and sanitation, health, livelihoods recovery, psychological and social support, protection and anti-trafficking, logistics and coordination, and cleanup and rehabilitation activities for affected communities in Sri Lanka. Cash-for-work and micro-finance programs are fully operational. USAID is now focusing on program monitoring and evaluation, ongoing

situational assessments and planning for longer-term reconstruction. USAID is exploring options for anticipated supplemental funding for tsunami reconstruction, including rehabilitation and/or reconstruction of harbor facilities, bridges, water and sanitation systems, and damaged and/or destroyed vocational technical schools. Along with infrastructure contributions, USAID plans to expand assistance for internally displaced persons, especially women and children; work with local micro-finance institutions and industry associations to restore livelihoods; assist provincial and local governments in building capacity to improve service delivery in tsunami-affected districts; expand anti-trafficking in persons efforts; assist the GSL in the creation of an emergency response organization and plan; and expand rehabilitation and/or reconstruction of small-scale community infrastructure, targeting labor-intensive projects. More than 1,000 U.S. military personnel from the Combined Support Group Sri Lanka helped clear heavy debris, rebuild schools, provide medical care and distribute emergency rations before their departure in early February. Media coverage of the U.S. effort has consistently been highly favorable.

15. (SBU) The U.S. is working with other donors and INGOs to ensure the equitable distribution of our assistance, including in the north and east. In keeping with long-standing policy, however, USG personnel are not deployed in LTTE-controlled areas.

U.S. CASUALTIES

16. (U) Seven American citizens were confirmed killed in the tsunami; an eighth remains missing and is presumed dead. The

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GSL responded quickly to assist U.S. and other foreign tsunami victims. Despite resource and manpower constraints,

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the GSL worked rapidly to move foreigners, including Americans, to safety, often according them first priority in limited aircraft seats. Immigration authorities worked closely with the Embassy to determine the number of Americans in country at the time of the catastrophe.

POLITICAL IMPLICATIONS

17. (SBU) Before the tsunami struck, prospects for resumed negotiations between the GSL and the Liberation Tigers of Tamil Belam (LTTE) were lackluster. Both sides had adopted rigid positions (the LTTE insisting on its controversial proposal for an interim administration as the sole basis for talks; the GSL, citing the objections of its chief coalition partner, insisting on a broader agenda) that appeared to offer little ground for compromise. The protracted impasse gave chauvinist Sinhalese elements, including GSL coalition partner Janatha Vimukthi Peramuna (JVP), ample space to mobilize opposition to the peace process, while the LTTE continued to violate the terms of the ceasefire agreement by murdering political opponents and recruiting child soldiers. Efforts by the Norwegian facilitators of the peace process to revive talks, on hold since the LTTE's April 2003 walk-out, were further complicated by President Chandrika Kumaratunga's preoccupation with extending her political career (in late 2005 she runs up against a two-term limit as president) by engineering a referendum to amend the Constitution.

18. (SBU) Cooperation on post-tsunami reconstruction efforts has provided the GSL and the LTTE fresh opportunities for re-engagement. (Note: The tsunami wrought substantial damage in six of the eight districts claimed by the LTTE as a Tamil "homeland," in addition to another four districts in the predominantly Sinhalese south.) In the first few days after the disaster, President Kumaratunga issued a public statement noting the need for all communities to work together; LTTE leader Prabhakaran followed up with an unprecedented expression of condolences for the "Sinhala brethren" killed in the tragedy. Since then, according to INGO and other foreign diplomatic sources, cooperation between the two parties on the ground, especially at the local level, remains good, despite the occasional broadside in the media accusing one or the other of obstructionism. The "co-chairs" of the peace process (the U.S., EU, Japan and Norway) are encouraging both sides to develop appropriate mechanisms to coordinate relief/reconstruction at all levels.

Unfortunately, an apparent moratorium on tit-for-tat assassinations by the LTTE and a rival faction ended on February 7 with the killings of an LTTE political leader and a pro-LTTE ex-parliamentarian in GSL-controlled territory in the east. LTTE suspicions that the rival faction is supported by GSL security forces--along with the proximity of

the ambush to several Sri Lankan Army installations--have raised concerns that the incident could undermine these promising first steps toward building confidence between the two parties.

19. (SBU) The tsunami has also given President Kumaratunga some respite from the bitter partisan in-fighting that characterizes mainstream Sri Lankan politics. At least for now, the opposition United National Party (UNP) has suspended its sniping at her and, in a commendable show of subsuming partisan benefit to the national good, has committed to working with her government in rebuilding the nation. Despite occasional threats to withdraw from the government, the JVP, the President's contrarian coalition partner, has muted its typically vociferous opposition to the peace process.

10. (SBU) While the disaster may provide Kumaratunga some welcome breathing space from LTTE ultimatums and partisan intrigue, we suspect the window is narrow and will not remain open long. The operation of the Sri Lankan bureaucracy, which was never a model of speed and agility under the best of circumstances, has not been improved by the tremendous logistical challenges imposed by this unprecedented disaster. Any inefficiency/inequity/non-transparency in the distribution of assistance will likely be quickly capitalized upon by Kumaratunga's political rivals. Most important, any perceived discrimination in the allotment of aid resources--whether valid or not--could aggravate underlying ethnic tensions, worsening prospects for a negotiated settlement to the conflict. The GSL must move quickly to ensure that assistance reaches all affected populations in an equitable and timely fashion or risk exacerbating partisan animosities and re-igniting ethnic grievances.

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